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IN THE

Supreme Court of the United States

OCTOBER TERM 1979

THE VALERON CORPORATION,
Petitioner,

vs.

GENERAL ELECTRIC COMPANY,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

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IN THE

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THE VALERON CORPORATION,
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vs.

GENERAL ELECTRIC COMPANY,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

The Valeron Corporation, Petitioner, respectfully prays that a Writ of Certiorari issue to review the Judgment of the United States Court of Appeals for the Sixth Circuit entered on October 30, 1979.

I. OPINIONS BELOW

The opinion of the Court of Appeals for the Sixth Circuit is found in the Appendix to this Petition commencing at page 14a. It is reported at 203 USPQ 1053. The opinion of the District Court is set forth in the Appendix commencing at page 1a. It is officially reported at 428 F. Supp. 68 and also at 196 U.S.P.Q. 298.

II. JURISDICTION

The Judgment of the United States Court of Appeals for the Sixth Circuit was entered on October 30, 1979. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

III. QUESTIONS PRESENTED

Is it proper to automatically disqualify an attorney from representing an interest adverse to a former client under Canons of Ethics No. 4 relating to Preservation of Client Confidences where, in fact, there actually were no confidences because (1) the former client itself published all the relevant information both before and after disclosing it to the attorney, and (2) the information was disclosed to the attorney for the purpose of preparing public documents (i.e., patent applications which were later published) and (3) the patent law requires full disclosure of all pertinent information?

Is it proper disqualify an attorney from representing an interest adverse to a former client under Canons of Ethics No. 9 relating to Appearance of Impropriety where the former representation was on a related, but *different* matter and where (1) the former client hired the attorney knowing that the attorney was simultaneously representing competitors of the former client, (2) the former client assisted the attorney in the attorney's work for the competitors of the former client, (3) the law of the forum permits representation of an interest adverse to a former client, and (4) the information disclosed by the former client is not privileged from discovery?

IV. CANONS OF ETHICS INVOLVED

Canon 4

"A Lawyer Should Preserve the Confidences and Secrets of a Client."

Canon 9

"A Lawyer Should Avoid Even the Appearance of Professional Impropriety."

V. STATEMENT OF THE CASE

A. Nature of Case and Proceedings Below

Introduction:

Relying upon Canon 4 (Preservation of Client Confidences)

and Canon 9 (Appearance of Impropriety), the lower Courts disqualified Valeron's trial counsel in a patent infringement suit brought by G.E. because nine years earlier, counsel had written the initial drafts of related but different patent applications for G.E.'s in-house patent attorney to revise and file. Such counsel did not write the patent application which became the patent-in-suit which relates to a screw fastener. Among the patent applications that counsel wrote, some used or could have used the patented screw fastener which earlier had been marketed and published by G.E. as its standard fastener. Finding a "substantial relationship" (i.e., the patented, commercially marketed standard screw was disclosed in at least one of the later patent applications prepared by counsel), the lower Courts held that Cantor must be automatically disqualified pursuant to a presumption of confidence. In following the presumption of confidence, the Courts disregarded the fact that there were no client confidences because G.E. itself had published the patented screw, and also disregarded the law which requires complete disclosure of all pertinent information in patents so that legally there could be no confidences.

Background:

In 1975, seven years after asserting patent infringement, General Electric Company (G.E.) filed suit against The Valeron Corporation (Valeron) in Detroit. Some months after suit began, Valeron changed counsel and retained patent attorney Bernard Cantor, a member of the Bar of the State of Michigan. Cantor advised the District Court and G.E. that Valeron would be filing a Motion for Dismissal based upon laches because of G.E.'s seven year delay in suing, under the authority of a similar case involving the same Plaintiff. *General Electric* v *Sciaky Brothers*, 304 F.2d 724 (6th Cir. 1962). Thereafter, G.E. moved to disqualify Cantor because, nine years earlier, Cantor "represented" G.E. by writing initial drafts of a number of patent applications although not the application of the patent of

this lawsuit. It thus appears to Valeron that the Motion to Disqualify was a diversionary tactic to side track the District Court from the dispositive and fatal issues of laches.

The District Court conducted an evidentiary hearing on the issues raised by the Motion to Disqualify Cantor. In so doing, the District Court expressly rejected the *principle* that there were no confidences to be preserved because G.E. itself published the relevant information both before and after any alleged disclosure to Cantor. That is, the patented screw fastener was commercially marketed, published, advertised and cataloged by G.E. long before G.E. told Cantor about the screw fastener. G.E. even admitted that all the information which it allegedly disclosed to Cantor was "discoverable," that it had no direct proof of any disclosure of confidences to Cantor, and that some information was given to him by G.E. to assist him in representing a G.E. competitor in a different patent suit.

The Court also disregarded the principle that the *issues* in this suit are not related to the work Cantor had done for G.E. Further, the lower Court disregarded the Michigan law that "Appearance of Impropriety" is not a basis for disqualification. In addition, the Court disregarded the fact that for the nine preceeding years, i.e., 1967-1976, Cantor had no contact whatsoever with G.E. Thus, the District Court disqualified Cantor and his law firm under Canon 4, Preservation of Confidences, and Canon 9, Appearance of Impropriety. The Court of Appeals affirmed.

B. Statement of Facts

The present proceedings, begun in 1976, are ancillary to a patent infringement lawsuit brought in 1975 by G.E. against Valeron for infringement of the Kelm United States Patent 3,341,920 which was filed Feburary 16, 1965 and which issued September 19, 1967. The Kelm patent relates to a locking screw fasterner. The Kelm patent application was filed before

G.E. hired Cantor. Cantor did no work whatsoever on the Kelm patent.

During the period of November 1965 through August 1967, Cantor, a patent attorney in private practice, wrote initial drafts of eleven patent applications which G.E.'s in-house attorney revised and filed. G.E.'s in-house patent attorneys handled all the proceedings in the United States Patent Office with respect to all these patent applications. In essence, Cantor acted as a scrivener in preparing drafts of patent applications for G.E.'s in-house attorneys. All of these patent applications were later published in the United States, or in foreign countries, or both. None were kept secret.

G.E. based its Motion to Disqualify on the theory that since the locking screw of the Kelm patent was utilized in some of the later physical devices for which Cantor wrote drafts of patent applications, there was a "substantial relationship" between the Kelm patent-in-suit and the applications which Cantor wrote. G.E. argued that such "substantial relationship" raised an *irrebuttable* presumption of confidences which precluded the Court from considering the proven fact that there actually were no confidences. (That is, all the relevant information was published in G.E.'s patents, as required by the patent law, as well as advertised by G.E. in connection with its sales.) The lower Court agreed with G.E. and refused to pierce the presumption of confidence. In so doing, the lower Courts ignored Valeron's proofs, as follows.

First, the lower Courts ignored the fact that G.E. *itself* did *not* keep its information confidential. G.E. *itself* published not only the Kelm patent disclosure, but also the Kelm locking screw device in its trade literature and at trade show demonstrations, long before (as well as after) G.E. told Cantor about the locking screw. Hence there were no relevant "confidences" to be preserved.

Second, the information which was disclosed to Cantor was given to him for the purpose of writing patent applications

which ultimately would become (and in fact did become) public documents. In other words, the information was disclosed to Cantor with the intent that the information be made public.

Third, during the time that Cantor was writing patent applications for G.E., he was simultaneously representing competitors of G.E. with the full knowledge and cooperation of G.E. In fact, in connection with one of those competitors, G.E. made its files available to Cantor to assist Cantor in his representation of the competitor.

During the evidentiary hearing, G.E. admitted it had no direct evidence of any confidences disclosed to Cantor. In addition, during the evidentiary hearing, G.E. admitted that any information which it disclosed to Cantor would be discoverable.

None-the-less, the District Court disqualified Cantor under Canons 4 and 9 of the Canons of Ethics. In so doing, the District Court expressly rejected the concept that a voluntary public disclosure by the former client was a waiver of the right to claim privilege based on "confidences." The District Court also refused to follow the law of the forum state, Michigan, which permits representation of an interest adverse to a former client. The District Court reasoned that there was a substantial relationship between the locking screw of the Kelm patent-in-suit and the locking screw of the later patent applications on which Cantor worked. In so doing, the Court rejected the evidence (including G.E.'s own Stipulation) that the subject matter of the Kelm patent and the Kelm locking screw had been published *by* G.E. both before and after Cantor was told about it.

The District Court further reasoned that even if Cantor did not obtain any confidential information, the appearance of impropriety justified disqualification. In so doing, the District Court again relied on the substantial relation between the Kelm locking screw patent and the locking screw of the later patent applications which Cantor wrote, without regard to

G.E.'s own activities in publishing such information prior to any disclosure to Cantor.

The Court of Appeals affirmed based on the substantial relation test, i.e., because the locking screw was common to the Kelm patent and to some of the later applications which Cantor wrote.

VI. REASONS FOR GRANTING THE WRIT

A. The Issues Are of Wide Ranging Importance in that They Affect Every Attorney-Client Relationship.

While every attorney is bound by the Canons of Ethics and the Code of Professional Responsibility, the obligations upon the attorney are not unlimited. Clients should expect their attorneys to maintain client confidences, but not if the client itself publishes the confidences. In essence, this case holds that the attorney-client confidences must be preserved by the attorney, forever, even though the client never preserved the confidences. Hence, the essential question is: is there an attorney-client confidence which binds the attorney when the client itself does not keep and does not even intend to keep the information confidential? Valeron submits that the attorney-client privilege should not be available as a tactical weapon to a former client who has not maintained the confidences itself.

Over the last ten years, there has been a substantial amount of litigation with respect to disqualification of counsel. Petitioner submits that it is appropriate for this Court to speak definitively on the issue of disqualification so that attorneys, clients, potential clients and the public will be able to comprehend not only the obligation of the attorney but the limitations of such obligation. To increase the public faith and trust in the American judicial system, it is of substantial importance not only to the parties to this matter, but to the public, to minimize potential attorney-client conflicts. A decision by this Court on the questions presented will provide guidance to all members of the Bar as to the types of matters which they can

handle and the possible consequence, i.e., the potential impropriety of the attorney handling certain matters in the future. Thus the questions presented in this Petition go far beyond the dispute between the parties and go to the heart of our judicial system.

B. The Decision Below Conflicts with the Law of the Forum.

Under *Erie R. Co.* v. *Thompkins*, 304 U.S. 64 (1938), the Federal Court in Detroit and the Court of Appeals for the Sixth Circuit were required to follow the law of the forum state, Michigan, in consideration of attorney disqualification. In *Smith* v. *Arc-Mation, Inc.*, 402 Mich. 115 (1978), the Michigan Supreme Court rejected the "appearance of impropriety" doctrine as a basis for disqualification.

Michigan law permits representation of an interest adverse to that of a former client. *Gillette* v. *Gillette*, 269 Mich. 364 (1934); *Murphy* v. *Riggs*, 238 Mich. 151 (1927). Michigan law would only disqualify counsel from representing a party if counsel had previously represented the other party on the *same* subject matter. *Wingilia* v. *Ashman*, 241 Mich. 534 (1928); *Auseon* v. *Reading Brass Co.*, 22 Mich. App. 505 (1970). The aforementioned Michigan law is further exemplified by Michigan Formal Ethics Opinion No. 7 (May 1959, Michigan State Bar Journal, page 36) and the Michigan Informal Ethics Opinion C1250 (June 1, 1976, Michigan State Bar Committee on Ethics).

The District Court decision did not consider the law of the forum. When the applicability of the law of the forum was raised on appeal, the Court of Appeals rejected such contention without any citation of authority as being "without merit."

The "Appearance of Impropriety" must be based on comparison to some standard. Since there is no federal legislation which creates a national "standard" and since, as demonstrated in the next section of this Petition, the decisions below conflict with the decisions of another circuit, it is submitted that the

Courts should be required to consider and follow the law of the forum.

C. The Decision Below Conflicts with the Decision of Another Circuit as to Disqualification Based Upon "Appearance of Impropriety."

Recently, the Second Circuit had occasion to consider the "Appearance of Impropriety" as a basis for disqualification. In *Board of Education* v. *Nyquist*, 590 F.2d 1241 (2nd Cir. 1979), the Court of Appeals reversed a Canon 9 disqualification stating:

> "We believe that when there is no claim that the trial will be tainted, appearance of impropriety is simply too slender a reed on which to rest a disqualification order except in the rarest cases." Id. at page 1247.

In the instant case, there is no claim that the trial would be tainted. To the contrary, G.E. admitted that all its information was discoverable and that there was no direct proof of disclosure of any confidences.

Petitioner submits that either the Courts below should be required to follow the law of the forum, or, alternatively that the conflict between the Circuits should be resolved, Since clients frequently have offices in different states, the clients are entitled to expect that the attorneys, upon whom they rely, will be required to follow either the law of the forum or a single, national standard. Similarly, since attorneys, and certainly attorneys who specialize in certain disciplines, provide legal services for clients located in different states, attorneys should have a basis to determine, in advance, whether their activities might be restricted based upon the law of each state or upon a single standard.

D. The Decision Below Should Be Reviewed Because of Differences in Principle with Decisions of the Supreme Court and the Various Courts of Appeals.

The underlying basis for the disqualification below was the alleged preservation of attorney-client confidences, i.e., G.E.'s

claim of attorney-client privilege. The purpose of the privilege is to encourage clients to make full disclosure to their attorneys. *Fisher* v. *United States*, 425 U.S. 391, 403 (1976). However, as recognized by this Court as well as the Courts of the other circuits, the attorney-client privilege is not unlimited. The privilege has certain metes and bounds which the Courts below refused to consider.

First, since the attorney-client privilege is intended to protect the client's *confidences*, what if there are no confidences to be preserved because of the client's own public disclosures? The Courts below refused to examine this issue. However, this Court provided, in Standard 511 of the proposed Federal Rules of Evidence, that a voluntary disclosure by the client is a waiver of the privilege. Here G.E. made such voluntary disclosures, by repeated acts, both before and after any alleged disclosure to Cantor. Never-the-less, the Courts below would not consider the issue of waiver.

The waiver of the claim of privilege, based upon the client's voluntary disclosure, is also recognized by the Courts of Appeals of the other circuits as well as by various Treatises. *United States* v. *McCambridge*, 551 F.2d 865 (1st Cir. 1977). See, *United States* v. *Woodall*, 438 F.2d 1317 (5th Cir. 1971), *cert. denied*, 403 U.S. 933 (1971); McCormick, *Evidence*, Sections 87, 93, 97, 106 (2nd Ed. 1972); 8 Wigmore, *Evidence*, Sections 2242, 2327-29, 2374, 2389-90 (McNaughton Rev. 1961).

Second, there is no "privilege" when the disclosure to the attorney is intended to be disclosed to third persons. As this Court recognized in Standard 503 (a)(4) of the proposed Federal Rules of Evidence, communications are confidential if *not* intended to be disclosed. Here, however, the disclosures to Cantor were intended to be disclosed and published and were, in fact, published by G.E. as patents. The decisions below ignore the principle that there were no confidences because G.E. intended Cantor to publish the information. Hence, the

decision conflicts not only with Standard 503(a)(4) but also with decisions of the other Courts of Appeals. *United States* v. *Tellier*, 255 F2d 441 (2nd Cir. 1958), *cert. denied*, 358 U.S. 821 (1958); *In re Horowitz*, 482 F.2d 72 (2nd Cir. 1973); *United States* v. *Gordon-Nikkar*, 518 F.2d 972 (5th Cir. 1975); *Esposito* v. *United States*, 436 F.2d 603 (9th Cir. 1970); *Mead Data Central, Inc.* v. *United States Department of Air Force*, 566 F.2d 242 (D.C. Cir. 1977).

In the present case, G.E. could not have intended the communications to be confidential. Both G.E. and Cantor were obligated to make full, public disclosure of all relevant information. The information was given to Cantor for the purpose of Cantor preparing patents. Under the law, the client, G.E., and the attorney, Cantor, each had an uncompromising duty of making a full disclosure to the United States Patent and Trademark Office. *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Machine Co.*, 324 U.S. 806 (1945). G.E. and Cantor were both obligated to observe the highest degree of candor in dealing with the Patent Office. *Kingsland* v. *Dorsey*, 338 U.S. 318 (1949).

In view of the obligation of disclosure on G.E. and Cantor, disqualification on the basis of the attorney-client privilege, i.e., preserving confidences, is inapposite. The only justification for now claiming disqualification based upon the attorney-client privileges would be if full disclosure was not made by G.E. or Cantor. But if a full disclosure was not made, the attorney-client privilege cannot be claimed by G.E. under the "improper purpose" exception. That is, as this Court recognized, in dealings with the Patent Office, there can be either a knowing or a "technical" fraud. *Walker Process Equip., Inc.* v. *Food Machine & Chemical Corp.*, 382 U.S. 172 (1975). If there was a failure to make a full disclosure, by G.E. or Cantor, then there would be no protectible privilege. See, Standards 503(d)(1) and 503(d)(3), proposed Federal Rules of Evidence. The principle that communications regarding wrongdoings or breach of duty

are outside the attorney-client privilege is also recognized in the other circuits, as well as in the Treatises. *Matter of Doe*, 551 F.2d 899 (2nd Cir. 1977); *United States* v. *Gordon-Nikkar*, supra; *Laughner* v. *United States*, 373 F.2d 236 (5th Cir. 1967); *Garner* v. *Wolfinbarger*, 430 F.2d 1093 (5th Cir. 1970); *In re Sawyer's Petition*, 229 F.2d 805 (7th Cir. 1956); *United States* v. *Friedman*, 445 F. 2d 1076 (9th Cir. 1971); McCormick, *Evidence*, Sections 91, 95 (2nd Ed. 1972); 8 Wigmore, *Evidence*, Sections 2298, 2327 (McNaughton Rev. 1961).

Thus, if both G.E. and Cantor made a full disclosure, there are no confidences to protect. On the other hand, if either failed to make a full disclosure, the conduct is outside the scope of the privilege.

E. This Court is Already Considering Limitations on the Claim of Privilege.

During the present term, this Court granted Certiorari in *United States* v. *Trammel*, 583 F.2d 1166 (10th Cir. 1978), *cert. granted* (No. 78-5705). One of the issues presented in the instant Petition, namely, limitations on the right to a claim of privilege is generally similar to *Trammel*, where the underlying issue is limitations on a claim of marital privilege based upon conduct.

The attorney-client privilege is a shield, and not a sword. It should not be available as an offensive weapon for the purpose of disqualifying an attorney. Petitioner submits that the Courts below, contrary to the principles enunciated in decisions of this Court and the other Courts of Appeals, have allowed the claim of privilege to be misused.

CONCLUSION

For the foregoing reasons, the Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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—APPENDIX—

IN THE
UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

GENERAL ELECTRIC COMPANY	CIVIL ACTION
vs.	
VALERON CORPORATION,	NO. 5-71257
Defendant.	

OPINION ON MOTION TO DISQUALIFY

General Electric sues Valeron claiming infringement of its United States Patent No. 3,341,920 and has now moved for an Order to disqualify Bernard J. Cantor and the firm of Cullen, Settle, Sloman & Cantor, P.C., as attorneys for Valeron Corporation, defendant herein.

General Electric Company is organized and exists under the laws of New York and Valeron Corporation is organized and exists under the laws of Michigan. The suit arises under the Patent Laws of the United States.

In its complaint General Electric charges that Valeron infringed G.E. Patent No. 3,341,920 (the Kelm Patent) by making, selling and actively inducing others to use cutting tools embodying the invention in that patent. Valeron denies infringement and seeks a declaration of invalidity because of specified prior art and prior invention. Valeron says that the Kelm Patent ('920) is invalid because of an alleged prior invention disclosed in U.S. Patent No. 3,310,859 which is now owned by Valeron.

In making these findings regarding the Kelm Patent or any other patent the Court notes that these findings are made for the purpose of ruling on plaintiff's motion only.

The Kelm Patent in suit is applicable in the cutting tool field. It applies specifically to a cutting insert retained in a pocket on a cutter tool body by a locking pin that fits in a hole in the

insert and is threaded into a hole in the cutter body. As the pin is tightened a conical portion on the pin engages an offset conical portion of the hole in the body. This causes the pin to move in a direction which locks the insert against a shoulder of the recess of pocket in the cutter body.

U.S. Patent No. 3, 310,859, herein known as the Diemond Patent, also is applicable in the cutting tool field. It applies specifically to a cutting insert retained in a recess on a cutter tool body by a locking pin having a head that fits in a hole in the insert and a shank which is threaded into a hole in the cutter body. As the pin is tightened a conical portion on the head of the pin engages an off-set conical portion of the hold in the body which causes the pin to move in a direction which blocks the insert against the shoulder of the recess or pocket in the cutter body. In these proceedings this has been referred to as the Valeron lock screw mechanism. The Kelm locking mechanism ('920) is used by plaintiff in its single-point cutting tools, boring bars and milling cutters. The Valeron lock-screw mechanism ('859) is used in its single-point cutting tools, boring bars and milling cutters.

Shortly after this case was commenced Bernard Cantor entered his appearance as trial counsel for Valeron. What gives rise to controversy is that Cantor was an attorney for plaintiff in 1965-1967. He prepared several draft patent applications for General Electric including subject matter which plaintiff claims is substantially related to the subject matter in this case.

When plaintiff filed its motion the Court determined that an evidentiary hearing was necessary in order to rule. The following facts appeared.

Cantor's contacts as an attorney for plaintiff in 1965 through 1967 were with the Carboloy Department of plaintiff. He dealt primarily with Harold J. Holt, in-house patent counsel for the Carboloy Department. In preparing some eleven patent applications for plaintiff Cantor met with Holt and received disclosures of inventions, including samples, drawings and written disclosures by the inventors; had conferences with them, reviewed drafts with them, obtained knowledge of plaintiff's cutting tools and exercised professional judgment by reviewing related applications, drafting claims to avoid interference problems, known prior art and division and restriction requirements.

It appeared that in the period 1965-1967 William Reich, Manager of Engineering at Carboloy, Elbert J. Weller, Manager of a Metal Working and Mining Products Engineering Section, and tool designers Walter Kelm, Tom Gowanlock, Tom Kordowski, Norman Campbell, Floyd Kirkham and Arnold Bower all worked together for plaintiff. They discussed, advised and cooperated with each other in connection with the projects of the cutting tool group and had access to each other's ideas, notebooks and disclosures. It was in this period that the Kelm locking mechanism was invented by Walter Kelm. Work was also done on an insert utilizing the Kelm locking mechanism by Weller and Kelm, an adjustable boring bar by Kelm, and a disposable insert milling cutter by Campbell and Weller.

Holt, with whom Cantor worked, prepared and prosecuted patent applications which matured into the Kelm Patent in suit as well as the Weller-Kelm '921 Patent and the Kelm '923 Patent. During this period it appeared that when plaintiff's Carboloy division prepared a patent application this was usually begun with an invention disclosure letter; then in turn engineering prints, drawings, invention questionnaires, supplemental disclosure letters, relevant prior art, novelty search results, interpretation of prior art, patentability opinions and comments on questions of infringement became a part of the application file. Other data also was included and of significance in this connection is the fact that Holt maintained invention records. The information in these patent application files was not publicly disseminated.

In connection with the patent applications on which Cantor worked, Holt and Cantor worked closely and Holt disclosed to Cantor all of the documents and information necessary to complete as final an application draft as could be done. To carry out his work as an attorney in connection with these eleven applications Cantor had numerous conferences at the Carboloy Plant with Holt and the inventors. Holt's files were available to Cantor. He received confidential disclosures and engineering drawings and he had access to plaintiff's patents, patent collections and prior art collections on fitting and pocketing inserts in tools. He likewise had access to plaintiff's pending applications. He rendered advice. He suggested strategy on how to obtain claim protection and he made recommendations on how to proceed with patent applications.

Among the patent applications on which he worked was the Campbell-Weller milling cutter application, the Kelm '401 boring bar and the Kirkham U.S. Patent No. 3,368,265. These were inventions in the cutting tool area. He also did work on mining drills and in areas other than this.

The Court notes that Cantor began his professional relationship with plaintiff after the Kelm '920 Patent had been filed. While Cantor did not prepare this application, plaintiff contends that Cantor had full opportunity to acquire information, confidences and secrets and form his own opinions regarding the Kelm '920 Patent while he was plaintiff's attorney.

It is significant that Cantor prepared the Kirkham '265 Patent for it relates to a machine for operating cam pin-locking mechanisms to automatically release, index and secure an insert in a cutting tool holder. The cam pin-locking mechanisms are claimed in plaintiff's Hill Patent which defendant says in its answer is prior art which invalidates the Kelm '920 Patent.

Cantor had access to Kirkham. He received a witnessed written invention disclosure signed by Kirkham and viewed the machine for cam pin-locking mechanisms on two occasions for a total of four hours.

Cantor also worked closely with Kelm in the preparation of the Kelm '401 Patent. He also met Kelm's associates and in connection with this work Cantor made notes, hand sketches and reviewed drawings. The Kelm adjustable boring bar contains the Kelm locking mechanisms insert. In studying the boring bar for the purpose of making a patent application Cantor had access to the locking mechanism of the Kelm '920 Patent.

Cantor also worked on the Campbell-Weller milling cutter invention, a milling cutting body having a plurality of pockets, each with an indexable insert and an underlying seat retained therein by the locking mechanism of the Kelm Patent in suit. Here, again, Cantor met with Holt and again he had access to Weller, Campbell, and the drawings and documents necessary to complete this application. Plaintiff's Exhibit 61 shows that Cantor's drawing for the Campbell-Weller milling cutter application is strikingly similar to Fig. 2 of the drawing in the patent application for the Kelm Patent in suit. This same exhibit shows that in the Cantor draft description it was stated that "such releasable locking means . . . are disclosed in . . . the patent application of Walter Kelm (Kelm '920 Patent in suit) . . ." Plaintiff's Exhibit 46 referred to the similarity between Fig 2 of the drawings in the Kelm Patent '920, and Fig. 5 which is Cantor's drawing in the Campbell-Weller milling cutter application. Figs. 5 and 6 in Plaintiff's Exhibit 13AA, which are rough drawings made by Cantor, show a protrusion of the pin which is shown only in the Kelm '920, Weller and Campbell '921 and Kelm '923 patents. Cantor, in testifying to this, said that he obviously copied it off something. Again, this indicates the access that he had to the drawings and concepts of the patent in suit. Cantor acknowledged that he would normally refer to a pending application when incorporating it by reference in the disclosure of the patent application on which he was working. He acknowledged that the Campbell-Weller application incorporates the entire disclosure of the then Kelm application for the '920 patent.

Thus, when one considers the inventor's disclosure letter, Plaintiff's Exhibit 13DD, and attached prints, Plaintiff's Exhibit 43A through H, which characterize utilization of the Kelm locking mechanism as a unique feature, Cantor's own application draft and drawings which describe and incorporate by reference the locking mechanism of the Kelm Patent in suit, and the rejection of the Campbell-Weller application by the Patent Office examiner it must be concluded, and the Court so finds, that there is a substantial relationship between the subject matter of Cantor's work on the Campbell-Weller application and the Kelm '920 Patent. The locking mechanism Cantor disclosed in his application is the locking mechanism of the Kelm '920 Patent. The inferences which flow from Cantor's activity in this regard are so strong that it would be unreasonable to conclude that Cantor did not have some knowledge of the Kelm '920 application.

While plaintiff introduced other evidence which it claims establishes the substantial relationship between the Diemond Patent and the patent in suit, particularly that of the patent office activity, the Court will make no findings in that regard since such questions may well go to merits of the suit itself. It is sufficient to say that the contentions of the parties in this regard, the answer filed by defendants and the matters that have sought to be and have been investigated in discovery to-date all tend to show a substantial relationship between the matters on which Cantor worked while he was an attorney for General Electric and the subject matter of this suit.

Based on these findings the Court concludes that Cantor, while a patent attorney for plaintiff, exercised professional judgment in the course of his representation of plaintiff; that the subject matter in his representation of plaintiff and his present representation of defendant is close and that he had access to confidential information and opportunity to examine this information, and that accordingly the opinions, views and

professional judgment which he now has might and in all likelihood were formed in good measure as the result of that prior relationship he had with plaintiff. Thus the Court concludes that even if Cantor did not obtain any confidential information, and even if one were to say that no part of his present professional opinions or judgments are based on his activity on behalf of plaintiff while he was their attorney, there is, nonetheless, the appearance of impropriety. That appearance of impropriety exists now because Cantor represents an interest adverse to that of General Electric on subject matters which are substantially related and identical.

In considering the matter of disqualification of an attorney, courts have used the substantial relationship test as a standard. In *Consolidated Theatres* vs. *Warner Brothers*, 216 F.2d 920 (2d Cir. 1954), it was held that to prove the existence of a professional obligation "the former client need show no more than that the matters embraced within the pending suit wherein his former attorney appears on behalf of his adversary were *substantially related* to the matters or cause of action wherein the attorney previously represented him, the former client."

In that case the Court of Appeals for the Second Circuit referred to a district court case, namely, *T. C. Theatre Corporation* vs. *Warner Brothers*, 113 F. Supp. 265, at 268, in which Federal Judge Weinfeld held that:

> "In cases of this sort the court must ask whether it can reasonably be said that in the course of the former representation the attorney might have acquired information *related* to the subject of his subsequent representation. If so, then the relationship between the two matters is sufficiently close to bring the later representation within the prohibition of Canon 6."

In an early case in this Circuit the U.S. Court of Appeals for the 6th Circuit said in *United States* vs. *Bishop*, 90 F.2d, 65, 66, (1937), quote:

> "It is well settled that an attorney who has acted for one party cannot render professional services in the *same* matters to the other party, and it makes no difference in this respect whether the relationship itself has terminated for the obligation of fidelity still continues."

In the case of *Canon* vs. *U.S. Acoustics Corporation*, 398 F. Supp. 209 (Northern District, Illinois, 1975), Judge Marshall dealt at length with this subject. That Court pointed out that the common law principles of disqualification are embodied in the Code of Professional Responsibility. He noted that Canon 4 states that "a Lawyer Should Preserve the Confidences and Secrets of a Client." Judge Marshall then undertook an analysis of the underlying ethical considerations. He found that for the relationship of attorney and client to be of maximum benefit to the client this required a total disclosure by the client to the attorney and it was a necessary corollary to this concept that the lawyer would then preserve any confidences and secrets transmitted to him. Only upon the lawyer's having obtained all possible information from his client could the lawyer make the necessary professional judgment as to what was relevant and important and what was irrelevant and unimportant and that consequently the lawyer receiving the confidences and secrets of his client could not use such information to the client's disadvantage. He pointed out that Canon 9 of the Code of Professional Responsibility provides that "a Lawyer Should Avoid Even the Appearance of Professional Impropriety." He noted that the United States Court of Appeals for the 7th Circuit held in the case of *Dr. Schloetter, et al,* vs. *Railoc of Indiana, Inc.*, Civil No. S74-117, decided December 1, 1976, at page 5, "Read together, the two canons indicate that an attorney may be required to withdraw from a case where there exists even an appearance of a conflict of interest." Judge Marshall then concluded that a former client need show no more than that the matters embraced within the pending suit, wherein his former

attorney appears on behalf of his adversary are substantially related to the matters of cause of action wherein the attorney previously represented him, the former client.

In similar vein Judge Weinfeld's Opinion in *T. C. Theatre Corporation* vs. *Warner Brothers*, supra, at page 268 is illuminating:

> "The Court will assume that during the course of the former representation confidences were disclosed to the attorney bearing on the subject matter of the representation. It will not inquire into their nature and extent. Only in this manner can the lawyer's duty of absolute fidelity be enforced and the spirit of the rule relating to privileged communications be maintained . . . In cases of this sort the Court must ask whether it can reasonably be said that in the course of the former representation the attorney might have acquired information relating to the subject matter of his subsequent representation. If so, then the relationship between the two matters is sufficiently close to bring the latter representation within the prohibition of Canon 6."

Or again, Judge Marshall: (*Cannon*, supra, page 223):

> "In essence the Court was saying it would order disqualification if the matters in the two engagements were substantially related. This is determined by asking whether it could reasonably be said that during the former representation the attorney might have acquired information related to the subject matter of the subsequent representation. Importantly, the Court did not require the movant to prove that confidences and secrets were reposed. That fact is assumed once a substantial relationship is established."

In *American Roller Company* vs. *Budinger*, 513 F. 2d 982, 986 (3rd Cir. 1975), the Court held that:

> "It is the possibility that confidences might be breached and not the fact of their disclosure *or use* that dictates disqualification once a substantial relationship between two representations has been established."

Defendant also argues that in any event all information obtained from General Electric by Cantor has been published or it is available from non-confidential sources. This was treated in *In Emle Industries, Inc.*, vs. *Patentex, Inc.*, 478 F. 2d 562, 572-573 (2nd Cir. 1973), and the Court held that this argument was of no avail. The Court stated:

> ". . . the client's privilege in confidential information disclosed to his attorney is not nullified by the fact that the circumstances to be disclosed are part of a public record, or that there are other available sources for such information, or by the fact that the lawyer received the same information from other sources."

From these cases the following principles emerge:

1. If there is a *substantial relationship* or a sufficiently close relationship between the matters on which the attorney worked in his prior retainer and the matters in which he has worked on his subsequent retainer, this is all that the former client need show.
2. This *substantial relationship* or *sufficiently close relationship* test is compelled by the nature of the relationship of attorney and client.
3. All confidences and information of the client are to be protected.
4. The ethical considerations which support this concept require that a lawyer should preserve the confidences and secrets of his client and that a lawyer should always avoid even the appearance of professional impropriety in so doing.
5. Because of these considerations a lawyer should be disqualified in a representation in which he may have had access or opportunity to obtain confidential material and the client need show no more than this in order to be protected.

The local rules of this Court adopt the Code of Professional Responsibility and these Canons by reference. These considerations and the Canons apply fully to attorneys practicing in this court.

Finally this Court notes that even if it were forced to conclude that it had doubt that an attorney received any confidential information that doubt should be resolved in favor of attorney disqualification. In *Hull* vs. *Celanese Corporation*, 513 F.2d 568, 571 (2d Cir. 1975), the Court faced an argument that in-house counsel for Celanese had switched sides to become a plaintiff (rather than a lawyer) on the other side. It was then sought to disqualify the Rabinowitz firm who represented this plaintiff and it was argued that they had advised this plaintiff and former attorney for Celanese, one Delulio, not to reveal any information to them received in confidence by plaintiff as an attorney for Celanese. While the Court credited the Rabinowitz firm for this attempt to avoid the receipt of any confidences, it held that the receipt of confidential information itself did not have to be shown, only that the attorney might have acquired information, and that if there was doubt as to this it should be resolved against the attorney.

What finally must be said is, that Canon 9 of the Code Of Professional Responsibility makes it obligatory that a lawyer should avoid even the appearance of professional impropriety. In our society lawyers have been granted significant privileges. It is in their interests, as well as in the preservation of the adversary system, that there be scrupulous adherence to proper dealing. It makes no difference that the clients involved in this litigation are experienced and sophisticated corporations.

Consequently, the Court concludes that Bernard Cantor must be disqualified in his representation of the defendant in this case. In order to make it clear that the appearance of impropriety cannot be countenanced, the Court reluctantly concludes that Cantor's firm should likewise be disqualified.

An appropriate Order may be submitted.

JOHN FEIKENS
United States District Judge

DATED: January 31, 1977, Detroit, Michigan.

IN THE
UNITED DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

GENERAL ELECTRIC COMPANY	CIVIL
vs	ACTION
VALERON CORPORATION,	NO. 5-71257
Defendant.	

ORDER DISQUALIFYING DEFENDANT'S COUNSEL

Upon Plaintiff's Motion to Disqualify Defendant's Counsel and after an evidentiary hearing thereon, and pursuant to my Opinion on Motion to Disqualify dated January 31, 1977, and upon motion of the defendant, Valeron Corporation, for certification pursuant to 28 U.S.C. §1292(g),

IT IS HEREBY ORDERED THAT:

1. Plaintiff's Motion to Disqualify Defendant's Counsel is granted.

2. Bernard J. Cantor, the firm of Cullen, Settle, Sloman & Cantor, P.C., 3200 Penobscot Building, Detroit, Michigan 48226, and all attorneys associated with the firm of Cullen,

Settle, Sloman & Cantor, P.C., are hereby disqualified from representing The Valeron Corporation in this litigation.

3. Bernard J. Cantor, the firm of Cullen, Settle, Sloman & Cantor, P.C., and all attorneys associated therewith shall not disclose to The Valeron Corporation or any new counsel retained by The Valeron Corporation any information whatsoever that Bernard J. Cantor or his firm may have acquired from General Electric Company during his former representation of General Electric Company.

4. The District Court is of the opinion that the Order of Disqualification involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the Order may materially advance the ultimate termination of the litigation pursuant to 28 U.S.C. §1292(b).

5. Upon filing an Application for Appeal and an Appeal, the proceedings in the District Court shall be stayed pending such Appeal.

6. IT IS HEREBY FURTHER ORDERED THAT this Court's Opinion on Motion to Disqualify dated January 31, 1977 be and is hereby corrected as follows:

A. On page 2, line 8 of the last complete paragraph, "blocks" is changed to — locks —.

B. On page 9, fifth line from the bottom, "He" is deleted and — It is — is inserted.

C. On page 10, first line, "then" is deleted.

JOHN FEIKENS
United States District Judge

No. 77-1323
UNITED STATES COURT OF APPELAS
FOR THE SIXTH CIRCUIT

GENERAL ELECTRIC COMPANY,
Plaintiff-Appellee,
v.
The Valeron Corporation,
Defendant-Appellant.

Appeal from the United States Distict Court for the Eastern District of Michigan.

Decided and Filed October 30, 1979.

Before: EDWARDS, Chief Circuit Judge, PHILLIPS, Senior Circuit Judge, and BROWN, District Judge.*

BROWN, District Judge. General Electric Company brought this action against Valeron Corporation, alleging that Valeron infringed General Electric's Patent No. 3,341,920. Valeron denied infringement and sought a declaration of invalidity because of specified prior art and prior invention. In the latter respect, Valeron relied, *inter alia*, on the prior invention disclosed by its Patent No. 3,310,959, the Diemond patent. These patents have to do with a method of fastening a cutting tip in a cutting tool.

Shortly after the case commenced, Bernard J. Cantor entered his appearance as trial counsel for Valeron. General Electric then moved for an order disqualifying Cantor as such counsel for Valeron. The basis of the motion, stated generally, was that in 1965-1967 Cantor, as a patent attorney retained by General Electric, prepared several draft patent applications for General Electric and that the relationship between that work and the subject matter of the instant litigation is such as to require Can-

*Honorable Bailey Brown, Chief Judge, United States District Court for the Western District of Tennessee, sitting by designation on the date of argument; elevated on September 27, 1979 to the Sixth Circuit Court of Appeals.

tor's disqualification. District Judge John Feikens then held a lengthy evidentiary hearing on this issue at which much testimony and many exhibits were received, following which a carefully prepared and full opinion was filed setting out the court's findings and conclusions to the effect that Cantor and his law firm must be disqualified. Valeron then appealed the order of disqualification.

Although the parties have not raised the question of the jurisdiction of this court under 28 U.S.C. §1291 to entertain this appeal, we note that our ruling in *Melamed* vs. *ITT Continental Baking Co.*, 592 F.2d 290 (6th Cir. 1979), is in no way inconsistent with our accepting jurisdiction in this case. There we did point out that motions to disqualify counsel and immediate appeals of rulings thereon can cause great delay in the processing of the litigation. Nonetheless, *Melamed* holds that an appeal will be dismissed as interlocutory only where there is an order denying a motion to disqualify after an evidentiary hearing and a finding that the moving party cannot be injured by the challenged representation.

As stated, Cantor was retained as a patent lawyer by General Electric during 1965-1967 to prepare drafts of several patent applications. General Electric contends that Cantor's work in preparing such applications is substantially related to the subject matter of the instant litigation, and that, this being so, disqualification is required. The subject matter to which General Electric refers is the defense upon which Valeron relies, i.e. denial of infringement and an assertion of invalidity based on prior art and prior invention.

That proof of such a substantial relation is generally sufficient to require disqualification is supported by the very recent holding of this court in *Melamed, supra,* in which this court said at 292:

> It has been repeatedly held that an attorney may not represent a client in litigation against a former client if

> the subject matter of the litigation is "substantially related" to work he or she did for the former client. *See e.g. Emle Industries, Inc.* vs. *Patentex, Inc.*, 478 F.2d 562, 565 (2nd Cir. 1968); *Wilson P. Abraham Construction Corp.* vs. *Armco Steel Corp.*, 559 F.2d 250, 252 (5th Cir. 1977); *T. C. & Theatre Corp.* vs. *Warner Bros. Pictures*, 113 F.Supp. 265, 268 (S.D.N.Y. 1953).

The trial court held that there is such a substantial relation here based on its finding that Cantor was working with patent house counsel and engineers of the Carboloy Department of General Electric, during which he had access to the files on General Electric's patents, patent applications, patent collections and prior art collections on fitting and pocketing inserts in tools. The trial court also found that Cantor received confidential tial disclosures while doing this work. Such findings are certainly not clearly erroneous. This being so, the conclusion that Cantor should be disqualified must be affirmed.

Valeron argues that the showing of a "substantial relation" between Cantor's prior work for General Electric and the instant litigation is not sufficient; it contends that it is necessary that General Electric show a substantial relation between Cantor's work for it and the actual *issues* of the present lawsuit and that such has not been shown. While we do not mean to indicate that Valeron would be entitled to prevail even if we accepted this view of the law, we note that this narrower formulation is not supported by case law generally and is contrary to the formulation as set out by this court in *Melamed*, 592 F.2d (6th Cir. 1979) at 292 and cases cited therein. As is stated in *Wilson P. Abraham Construction Co.* vs. *Armco Steel Co.*, 559 F.2d 253 (5th Cir. 1977), *cert. denied*, 434 U.S. 1015, cited and relied upon in *Melamed*, at 252:

> [A] former client seeking to disqualify an attorney who appears on behalf of his adversary, need only to show that the matters embraced within the pending suit

> are ***substantially related*** to the matters or cause of action wherein the attorney previously represented him.

We also note that the narrower formulation might well be difficult to apply in practice since the actual issues in lawsuits are frequently not determined until long after the litigation has begun.

As indicated, the trial court found as a fact that Cantor had received confidential information from General Electric in connection with his work of preparing draft patent applications. This being so, we need not resolve here the apparent conflict between the opinion of the trial court to the effect that once the "substantial relationship" test is met, the receipt of confidential information is conclusively presumed, and the opinion of the court in *City of Cleveland* vs. *Cleveland Electric Illuminating Co.*, 449 F.Supp. 193 (N.D. Ohio 1977), *aff'd by order*, 573 F.2d 1310 (6th Cir. 1977), in which it is stated that the presumption of receipt of such information may be rebutted and if rebutted, disqualification is not necessary. We further note that such statement in the *City of Cleveland* case is really dictum since the court held that the City, the complaining party, had effectively waived its claim that the attorneys not represent the adversary party and further held that a "substantial relation" had not been proved. *Compare: Novo Teraapeutisk Laboratorium A/S* vs. *Baxter Travenol Laboratories, Inc., et al.*, —F.2d —, 48 U.S.L.W. 2189 (7th Cir., *en banc*, decided August 16, 1979), wherein the court held that, in the unusual circumstances of that case, the presumption of the receipt of confidences could be and was rebutted.

This court has considered the other contentions of Valeron and has determined them to be without merit.

The order of disqualification entered by the District Court is therefore

AFFIRMED.